

THE
BETHLEHEM
CORPORATION
ANNUAL
REPORT
1970

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE



AVENUE
OF THE AMERICAS
NEW YORK CITY
BEFORE AND AFTER
MASSIVE
BLACKOUT

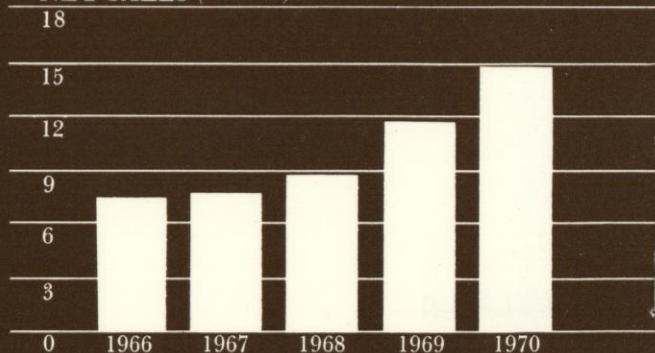
Northeast power failure in November, 1965 dramatically pointed out the need for substantial additions of standby power generating units on the part of electric utilities. In the last ten years there has been a distinct trend toward application of gas turbines by the utilities to meet their needs for peaking power during emergencies and severe power shortages, such as have occurred recently in hot summers and cold winters. During this time The Bethlehem Corporation has become an important supplier of certain components of gas turbines.

In 1960 the domestic gas turbine industry has grown ten times, and gas turbines represented approximately 12 percent of the total power generation installed in 1969. The figure for 1970 is expected to be substantially greater. In fact, the current total gas turbine market is nearly double the value of what it was expected to be only three years ago.

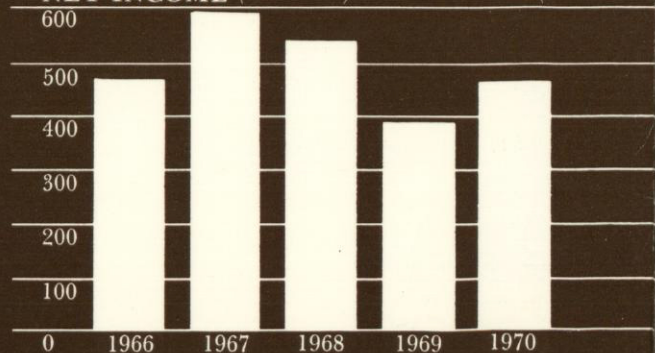
One of the reasons for much of the growth is attributed to emergencies, low initial costs and operating flexibility have proven gas turbines to be an economic investment. Many utilities have recognized the benefits of gas turbines and their role in overall system operation and expansion. In addition, and most importantly, gas turbines are virtually pollution-free, and can be used even when consuming oil distillates.

The gas turbine has become increasingly more accepted in future generation planning; and with excellent operating characteristics, they are expected to play a major part in the U.S. electric utility industry.

NET SALES (millions)



NET INCOME (thousands)



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FINANCIAL HIGHLIGHTS	1970	1969
Net Sales	\$14,916,765	\$11,674,719
Earnings Before Income Taxes	1,018,417	914,252
Income Taxes	548,500	524,775
Net Earnings	469,917	389,477
% of Net Sales	3.2%	3.3%
Earnings Per Share*	0.53	0.44
Dividends Per Share*	10% Stock	0.124 + 10% Stock
Shares Outstanding*	887,781	887,781
Shareholders' Equity	5,090,728	4,624,778

*Adjusted to reflect 10% stock dividends in 1969 and 1970.

LETTER TO STOCKHOLDERS

APRIL 2, 1971

Sales in 1970 totalled \$14.9 million, being 28% above the sales of 1969. Net income of \$470 thousand was 21% above the comparable 1969 figure. A 10% stock dividend was paid on the outstanding common stock to shareholders of record, December 15, 1970.

Although sales in 1970 were the highest in the Company's history, operating results were adversely affected by several major problems:

- **FIRST**—We were affected by the usual problems of integrating both facilities and personnel of the new Easton plant with our Bethlehem operations.
- **SECOND**—All new heavy equipment purchased was installed at the Easton plant. The interruptions caused during installation did seriously detract from the efficiency of production during this period.
- **THIRD**—The general slowdown in the economy during the year, as we see it, was largely the result of government fiscal and monetary programs designed to moderate inflationary pressures. It also resulted in much more competitive markets and affected prices received for many of the products which our corporation produces.
- **FOURTH**—Strikes of approximately five month's duration at two of our major customer's plants affected our production schedules.

Three labor union contracts were negotiated during 1970 and the fine record of never having a strike in the Company's 114 year history continues. While the contracts are in keeping with the area pattern, they will necessitate a combined effort on the part of management and the employees to offset the increased costs by achieving greater efficiency.

The softening of interest rates during the year is resulting in lower finance costs for your company.

Although our backlog of orders at present is the largest in the Company's history, we have suffered during the year because of unbalanced product mix. Naturally every effort is being made to correct this situation.

A considerable sum has been spent during the year on the development of new products, and while results have seemed slow in this effort, we do believe that several look very promising.

In February 1971 we purchased from International Telephone & Telegraph their flow tube line. We supplied ITT with certain models of this liquid measuring device, ranging up to 6 feet in diameter, over past years. This now gives us an end market position on this item and should prove a good product line for Bethlehem.

Our drying equipment is now being used to help solve some of the major municipal pollution problems. The sewage sludge drying capabilities of our PORCUPINE are being recognized in this market. Our design provides pollution free installation on many industrial applications.

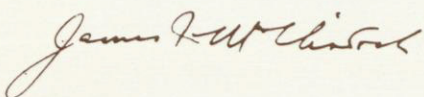
The Medical Products Group, which includes our Hyperbaric Division, at this time has not contributed to the profitability of the Company. We do feel optimistic as to the results being obtained by several of the hospitals and clinical groups in research work, especially on burns and senility.

Our purchase of the facilities at Easton is proving very advantageous to the Company because our expansion is occurring at this site. Due to the size of the site and other major advantages, the way is paved for important additional expansion.

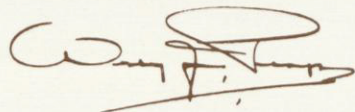
Because of the great effort which the government is now making to reverse the trend in unemployment and combined with the easing monetary situation, we believe the economy will attain a much better tempo during the last half of 1971.

1970 was a difficult year. However, the loyal support of our employees, the cooperation of our many business associates and the confidence of customers and shareholders, are continuing sources of inspiration. For this we express our sincere appreciation.

This report is prepared and submitted to the stockholders of The Bethlehem Corporation by order of the Board of Directors.



Chairman



*Co-Chairman
President*

HYPERBARIC MEDICINE

Everyone knows the blood in the human body carries 21% oxygen.

Most hospitals are now piped to administer oxygen for various healing purposes via oxygen tents, masks, tubes and breathing machines, since oxygen is one of the keys of body rebuilding.

Under normal body pressures, these methods can increase the oxygen carrying content of the blood a maximum of 2%.

Hyperbaric (high pressure) oxygen is administered in a pressure chamber charged with oxygen from 1 pound to 30 pounds. Researchers, scientists, and physicians have found that under pressure the oxygen carrying capacity of the blood can be increased to 27%. The fluids of the body transmit this increased oxygen to all corners of the circulatory system.



Single patient hyperbaric bed chambers are found in many hospitals today.

MEDICAL PRODUCTS GROUP

Government and private donors are allocating millions of dollars for research into the treatment of various ailments with high pressure oxygen.

With our long experience in building pressure and vacuum type chambers, it is natural for us to have assumed leadership in this field. While we have constructed many large facilities for hospitals and universities, up to 12 feet in diameter holding 20 to 30 people, the small economical one man chamber, of which about 250 are in operation today, seems to hold the greatest promise.

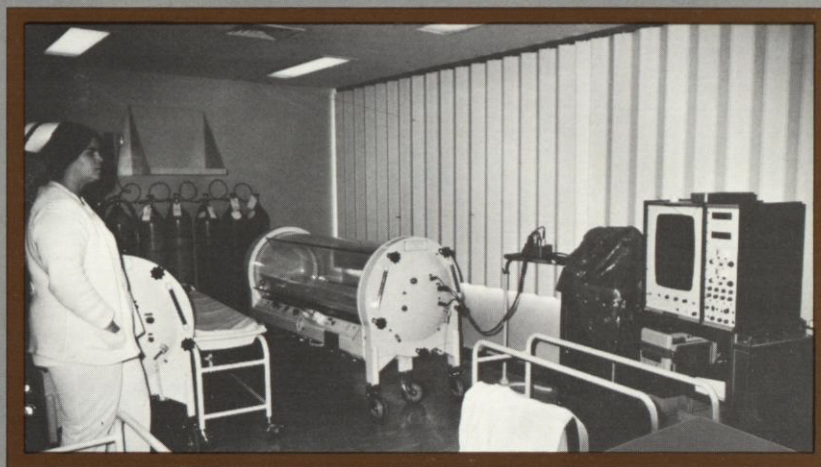
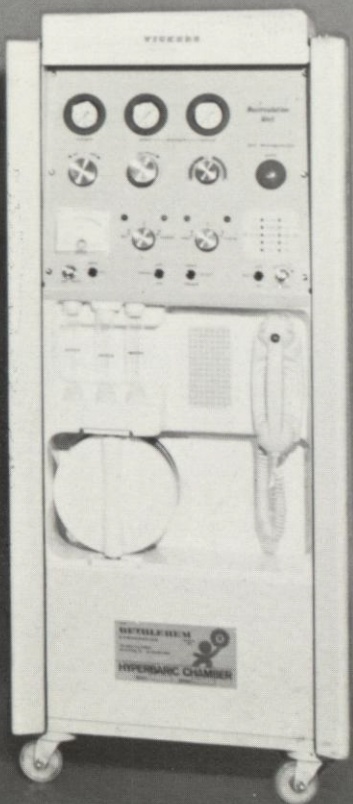
All work done in the field must be under the direction of qualified scientists and physicians.

Studies in senility, burns, and heart attacks are the major areas of clinical research. These carefully controlled case studies require time to complete.

If and when these types of treatments receive the full and unqualified endorsement of the medical fraternity, the market potential for this equipment will be considerable.

In June, 1970 the Medical Products Group was formed under the direction of a new marketing manager. The group has already established a nationwide distributor and dealer organization with locations in nearly every state in the country.

Several products being distributed are of the disposable kind, such as the oxygen Venti-Mask which has met with great success in many hospitals. Additional items being studied for distribution are laboratory equipment and inhalation therapy equipment for both hospital and home use. Bethlehem believes a strong distribution arm for high quality medical products has an exciting future in the U. S.



The Hyperbaric Medicine installation at the U. S. Naval Hospital, Long Beach, California, showing two bed chambers, blood pressure and electrocardiogram monitor where extensive work on burns, skin grafts, ulcers, strokes, and other infections, is being conducted. Some 2000 treatments on over 200 patients have been run in the last year.

PROCESS EQUIPMENT

For several years Bethlehem has been a manufacturer of various mixing, reacting and pressure vessels used throughout the chemical processing industries. In order to expand the product line of its Process Equipment Division, the company is presently finalizing a reciprocal sales agreement with a major European company whereby Bethlehem will be licensed to distribute a superior line of industrial drying units in return for its "Porcupine" heat transfer equipment. In addition, plans are being readied to introduce a new line of mixers, applicable to the food and chemical industries. This product will be manufactured at Bethlehem.

During 1970 considerable progress was made on the "Porcupine," units having been sold to aluminum and copper companies. A key piece of equipment delivered to a large copper concern may result in a breakthrough in the recovery and processing of molybdenite. Tests have

been successfully completed and reported, with indications that this new process could have a significant bearing on upgrading molybdenite ore worldwide. Molybdenite is an important source of molybdenum which is used in strengthening steel and increasing its elasticity.

Complementing the effort being made in heat transfer equipment, Bethlehem is also working on sludge drying mechanisms for aid in municipal waste disposal. The environmental protection agency of a large eastern city has recently completed tests on this problem, and Bethlehem will be included in the specifications for its drying equipment. These sludge dryers, in addition to incinerators which Bethlehem has built for many years, enhances the company's position in pollution control.

Flow tubes, water measurement devices manufactured by Bethlehem, are being used in municipal water treatment installations such as pictured below.

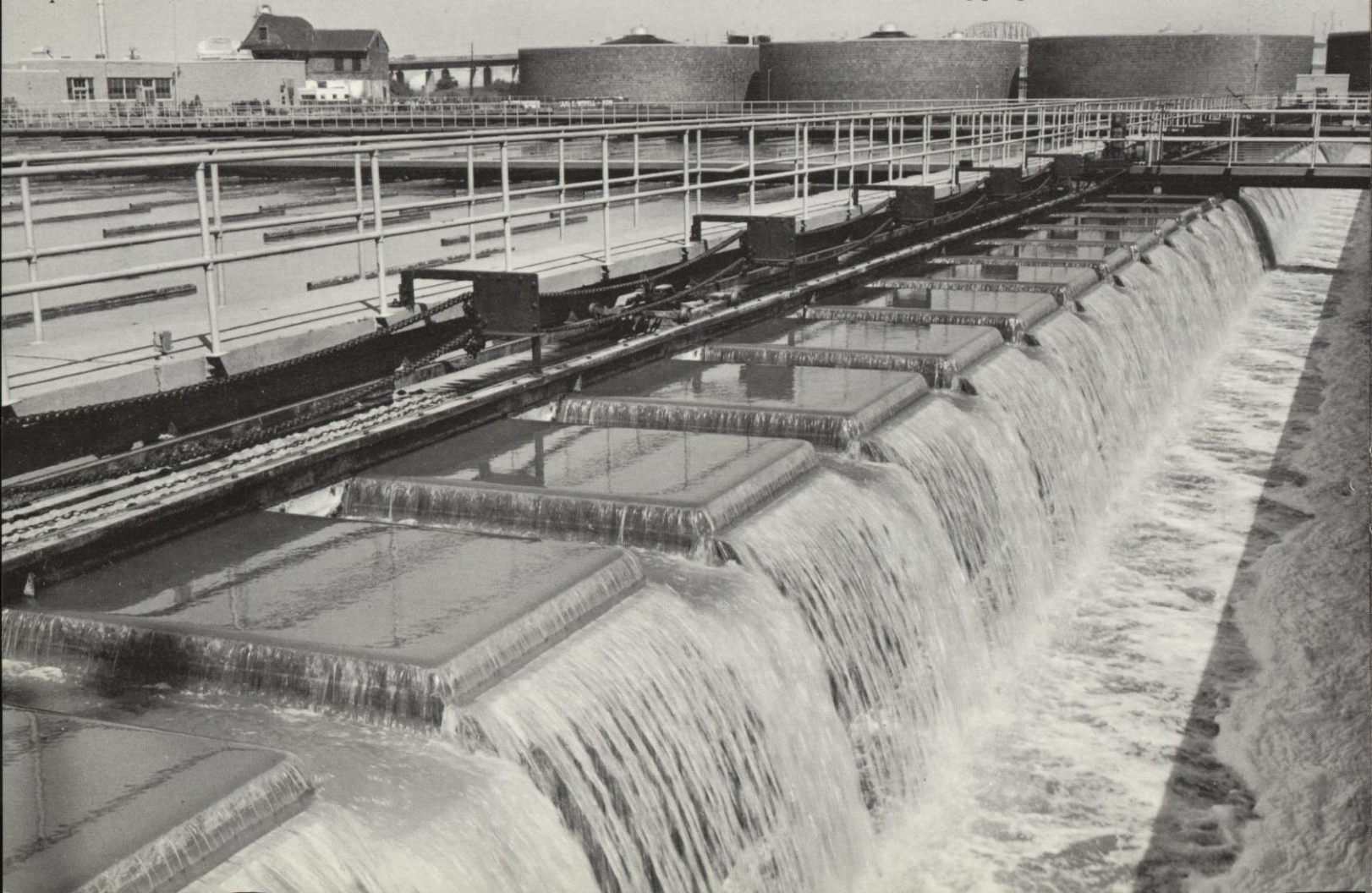
SPECIAL CONTRACTS

With the acquisition of the Easton, Pa. facilities in 1969, the Company's Special Contracts Division is now able to manufacture a considerably more varied line of engineered products for several industries. These increased capabilities have significantly enhanced the company's output and allowed for a greater latitude of new business.

Bethlehem's shops have a wide range of machine tools adaptable to small or large jobs, no matter how complicated. Together with highly skilled machinists and technical staff, the company is excellently equipped to meet the needs of its customers.

MILL MACHINERY

Bethlehem's Mill Machinery Division, is pursuing the sales, engineering and construction of special mill machinery which will include transfer cars, turn tables, material handling equipment and other special items for steel producing and allied industries. The division, utilizing the facilities and capabilities of the Easton plant, has already built a significant backlog through a strong marketing program.



THE
BETHLEHEM
CORPORATION

STATEMENTS
OF EARNINGS

YEARS ENDED DECEMBER 31,
1970 AND 1969

	Years ended December 31,	
	1970	1969
Net sales	\$14,916,765	\$11,674,719
Cost of goods sold	11,529,241	8,644,969
Gross profit	3,387,524	3,029,750
Selling and administrative expenses		
Selling expenses	853,346	879,971
Administrative expenses	1,194,695	1,068,240
	2,048,041	1,948,211
Operating profit	1,339,483	1,081,539
Other income	24,572	15,287
	1,364,055	1,096,826
Other deductions—interest	345,638	182,574
Earnings before income taxes	1,018,417	914,252
Income taxes		
State income taxes	109,500	92,775
Federal income taxes	439,000	432,000
	548,500	524,775
NET EARNINGS	\$ 469,917	\$ 389,477
Earnings per share of common stock (Note 5)	\$.53	\$.44

The accompanying notes are an integral part of these statements.

THE
BETHLEHEM
CORPORATION

BALANCE
SHEETS

DECEMBER 31,
1970 AND 1969

ASSETS	December 31,	
	1970	1969
CURRENT ASSETS		
Cash	\$ 858,761	\$ 1,896,256
Accounts receivable, less allowance for doubtful accounts of \$10,500 in 1970 and 1969	2,792,593	2,108,621
Inventories at lower of cost (first-in, first-out method) or market		
Raw materials, parts and supplies	1,140,639	983,778
Work in process and finished products	2,337,180	1,746,493
	3,477,819	2,730,271
Prepaid expenses	92,473	80,175
Total current assets	7,221,646	6,815,323
PROPERTY, PLANT AND EQUIPMENT—AT COST, PARTIALLY PLEDGED (Notes 1 and 2)		
Land	570,895	570,895
Buildings and leasehold improvements	1,096,072	1,094,397
Machinery and equipment	4,635,250	4,001,754
Leased equipment	470,000	470,000
	6,772,217	6,137,046
Less accumulated depreciation and amortization	2,426,043	2,058,332
	4,346,174	4,078,714
DEFERRED EXPENSES AND OTHER ASSETS	73,367	112,665
	<u>\$11,641,187</u>	<u>\$11,006,702</u>

The accompanying notes are an integral part of these statements.

LIABILITIES**CURRENT LIABILITIES**

	December 31, 1970	1969
Notes payable to banks—unsecured	\$ 1,175,000	\$ 1,150,000
Notes payable—other—secured	163,500	—
Current maturities of long-term debt	380,398	325,505
Accounts payable	1,385,464	1,537,228
Salaries and wages, commissions, taxes and sundry accruals	557,584	496,272
Federal and state taxes on income	109,377	92,908

Total current liabilities	3,771,323	3,601,913
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LONG-TERM DEBT—NET (Note 2)	2,681,104	2,726,143
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DEFERRED INCOME TAXES (Note 1)	98,032	53,868
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COMMITMENTS AND CONTINGENCIES (Notes 3 and 4)**STOCKHOLDERS' EQUITY (Notes 4 and 5)**

Common stock—authorized, 2,000,000 shares without par value, stated value of \$.50 per share; issued, 892,016 shares at December 31, 1970 and 811,439 shares at December 31, 1969	446,008	405,720
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Additional paid-in capital	1,913,232	1,389,481
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Retained earnings	2,742,363	2,840,452
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	5,101,603	4,635,653
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Less common stock reacquired and held in treasury—at cost; 4,235 shares at December 31, 1970 and 3,850 shares at December 31, 1969	10,875	10,875
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	5,090,728	4,624,778
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	<u>\$11,641,187</u>	<u>\$11,006,702</u>
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STATEMENTS OF RETAINED EARNINGS AND ADDITIONAL PAID-IN CAPITAL

YEARS ENDED DECEMBER 31, 1970 AND 1969

RETAINED EARNINGS

	Years ended December 31,	
	1970	1969
Retained earnings—beginning of year	\$2,840,452	\$3,197,661
Net earnings for the year	469,917	389,477
	<u>3,310,369</u>	<u>3,587,138</u>
Dividends declared (Note 5)		
Cash—\$.124 per share in 1969	—	110,173
Common stock—80,577 shares at fair market value of \$7.00 per share plus \$3,968 cash in lieu of fractional shares in 1970	568,006	—
73,454 shares at fair market value of \$8.625 per share plus \$2,972 cash in lieu of fractional shares in 1969	—	636,513
	<u>568,006</u>	<u>746,686</u>
Retained earnings—end of year	<u>\$2,742,363</u>	<u>\$2,840,452</u>

ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital—beginning of year	\$1,389,481	\$ 792,667
Excess of fair market value over stated value of \$.50 per share of shares issued as a 10% stock dividend	523,751	596,814
Additional paid-in capital—end of year	<u>\$1,913,232</u>	<u>\$1,389,481</u>

STATEMENTS OF CHANGES IN WORKING CAPITAL

YEARS ENDED DECEMBER 31, 1970 AND 1969

Source of working capital

From operations		
Net earnings for the year	\$469,917	\$ 389,477
Charges against earnings which did not require an expenditure of working capital		
Depreciation and amortization	386,080	300,461
Deferred income taxes	44,164	53,868
	<u>900,161</u>	<u>743,806</u>
Long-term borrowings	—	3,178,943
Less payments and current maturities	—	452,800
	—	<u>2,726,143</u>
Proceeds from cash surrender value of officer's life insurance	22,703	—
Collection of noncurrent receivable	8,063	—
Sundry sources—net	8,533	—
	<u>939,460</u>	<u>3,469,949</u>

Application of working capital

Acquisition of fixed assets—net	653,540	2,395,369
Reduction of long-term debt	45,039	—
Cash dividends	—	110,173
Cash distributions in lieu of fractional shares on stock dividends	3,968	2,972
Sundry applications—net	—	6,862
	<u>702,547</u>	<u>2,515,376</u>
NET INCREASE IN WORKING CAPITAL	<u>\$236,913</u>	<u>\$ 954,573</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1970 and 1969

NOTE 1—DEPRECIATION

Depreciation expense has been charged to operations for the years ended December 31, 1970 and 1969 in amounts of \$386,080 and \$300,461, respectively, computed on the straight-line method. Deferred Federal income taxes arise from the differences in determining depreciation expense for tax and financial reporting purposes.

NOTE 2—LONG-TERM DEBT

Long-term debt at December 31, 1970 and 1969 consists of:

	December 31,	
	1970	1969
Notes payable to bank in quarterly installments of \$62,500 plus interest; final installment of \$1,312,500 due on May 1, 1974—unsecured	\$2,125,000	\$2,375,000
10% rental obligations under lease agreements, payable in monthly installments of \$6,211, including interest; final installment due October 24, 1979	438,632	467,705
9½%-10½% equipment note obligations, (12% in 1969) payable in monthly installments of \$12,180, (\$6,940 in 1969) including interest; final installment due September 2, 1976	497,870	208,943
	<u>3,061,502</u>	<u>3,051,648</u>
Less current maturities	<u>380,398</u>	<u>325,505</u>
	<u>\$2,681,104</u>	<u>\$2,726,143</u>

The term loan agreement covering the notes payable to bank provides for interest at 1% over the bank's prime rate.

The term loan agreement contains certain restrictions and covenants, including the maintenance of certain levels of working capital and net worth, and certain other limitations covering additions to fixed assets and future borrowings.

NOTE 3—PENSION PLANS

The company has noncontributory funded and unfunded retirement plans in effect covering substantially all of its employees. The total pension expense for the years ended December 31, 1970 and 1969 was approximately \$90,000 and \$70,000, respectively, which includes amortization of prior service costs over periods of 25 to 30 years.

NOTE 4—RESTRICTED STOCK BONUS PLAN

In 1969, the company established a restricted Stock Bonus Plan under which a maximum of 84,700 (after giving effect to stock dividends) shares of common stock were reserved for the issuance of stock options to officers and key employees. As at December 31, 1970, no stock options had been granted under this plan.

NOTE 5—STOCK DIVIDEND

On December 15, 1970, the company declared and recorded a 10% stock dividend distributed January 15, 1971. Earnings per share computed on the average number of shares outstanding prior to the stock dividend were \$.48 and \$.58 for 1969 and 1970, respectively, and \$.44 for 1969 and \$.53 for 1970, after giving effect to the stock dividend. Cash dividends of \$.15 per share declared in 1969 have been restated to \$.136 and \$.124 respectively, as a result of the 1969 and 1970 10% stock dividends.

ALEXANDER GRANT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

1185 AVENUE OF THE AMERICAS

NEW YORK, NEW YORK 10036

AUDITORS' REPORT

Board of Directors

The Bethlehem Corporation

We have examined the balance sheet of THE BETHLEHEM CORPORATION (a Pennsylvania corporation) as of December 31, 1970, and the related statements of earnings, retained earnings, additional paid-in capital and changes in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered

necessary in the circumstances. We performed a similar examination for the preceding year.

In our opinion, the statements mentioned above present fairly the financial position of The Bethlehem Corporation at December 31, 1970, and the results of its operations and changes in working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, New York
February 19, 1971

Alexander Grant & Company

FIVE YEAR FINANCIAL SUMMARY	1970	1969	1968	1967	1966
Net Sales	\$14,916,765	\$11,674,719	\$8,919,433	\$7,857,041	\$7,595,836
Profit Before Taxes	1,018,417	914,252	1,147,104	1,153,737	916,944
% to Net Billings	6.8%	7.8%	12.9%	14.7%	12.1%
Profit After Taxes	469,917	389,477	539,104	588,737	476,944
% to Net Billings	3.2%	3.3%	6.0%	7.5%	6.3%
Earnings Per Share*	.53	.44	.61	.66	.55
Dividends Per Share*	10% Stock.	.124 + 10% Stock	.248	.248	.124
Long-Term Debt	2,681,104	2,726,143	0	0	0
Shareholders' Equity	5,090,728	4,624,778	4,348,446	4,030,000	3,661,000
Average Number of Shares Outstanding*	887,781	887,781	887,781	887,781	862,704

*After giving effect to 10% stock dividends in 1969 and 1970.

DIRECTORS

John F. Bacon
O. Karl Dieckmann
Morris L. Forer
Roger C. Hubbard
Paul C. Kimball
Mendel Lurie
James I. McClintock
Wesley J. Peoples

OFFICERS

James I. McClintock
Chairman of the Board
Wesley J. Peoples
Co-Chairman, President and Chief Executive Officer
B. Ord Houston
Vice President-Finance and Treasurer
Arthur W. Smith
Vice President-Sales and Engineering
Walter Herzer
Vice President-Manufacturing
Donald A. Bitters
*Vice President, Modern Collet &
Machine Division*
O. Karl Dieckmann
Secretary

GENERAL COUNSEL

McClintock, Fulton, Donovan & Waterman
Detroit, Mich.

PENNSYLVANIA COUNSEL

Wolf, Block, Schorr & Solis-Cohen
Philadelphia, Pa.

CERTIFIED PUBLIC ACCOUNTANTS

Alexander Grant & Company
New York, N. Y.

TRANSFER AGENT AND REGISTRAR

Registrar and Transfer Company
Jersey City, N. J.

STOCK LISTED

American Stock Exchange
Detroit Stock Exchange

ANNUAL MEETING

The Annual Meeting of shareholders will be
held at the Bethlehem Hotel, Bethlehem Pa.,
on April 26, 1971 at 11 A.M.



THE BETHLEHEM CORPORATION *Established 1856*

225 W. Second Street, Bethlehem, Pennsylvania 18016 Phone: 215-867-4605

PLANT LOCATIONS:

Bethlehem, Pennsylvania Easton, Pennsylvania Detroit, Michigan Oglesby, Illinois